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Regulatory Circular RG00-78

Date: May 3, 2000

To: CBOE Members and Member Firms

From: Trading Operations

Subject: RAES Pricing Checks While NBBO "Step-up" is Inactivated

As described in Regulatory Circular RG00-41, on March 14, 2000, the CBOE modified its RAES system to "block" automatic executions when another exchange's market inverts the CBOE market. This modification, however, would only block RAES trades under the above-described inversion condition if the automatic "NBBO step-up" feature was active.

NEW MODIFICATION

Effective May 4, 2000, the RAES system will be further modified so that automatic executions will be blocked under an inversion condition, regardless of whether the automatic NBBO step-up feature is activated. Thus, if the automatic step-up feature is turned off, RAES will continue to block automatic executions if another exchange's quote inverts the CBOE market.

If you have any questions, please contact Anthony Montesano at extension 7365, or the CBOE Help Desk at extension 7100.